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PEEL-ELDER LIMITED 1966 ANNUAL REPORT DIRECTORS' REPORT FINANCIAL STATEMENT

PEEL-ELDER LIMITED 1966

Officers:
K. A. ROBERTS, President and General Manager
A. H. HONSBERGER, B.Sc., Vice-President and Mine Manager
P. C. FINLAY, Q.C., Secretary-Treasurer

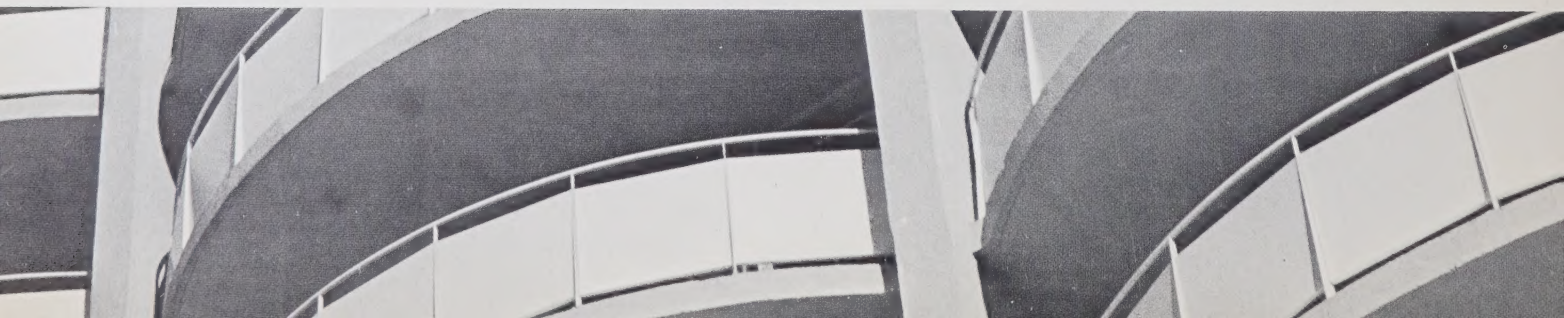
Directors:
P. C. FINLAY, Q.C., Toronto
W. H. GILLELAND, Toronto
A. H. HONSBERGER, B.Sc., Brampton, Ontario
H. HUNTER, Toronto
K. A. ROBERTS, Toronto

General Counsel and Solicitors:
HOLDEN, MURDOCH, WALTON, FINLAY, ROBINSON, PEPALL & HARVEY, 2402 Bank of Nova Scotia Bldg., Toronto, Ontario

Auditors:
JAMES M. DUNWOODY & COMPANY
25 Adelaide Street West, Toronto 1, Ontario

Transfer Agents:
THE CANADA TRUST CO., 33 Adelaide St. W., Toronto, Ontario
REGISTRAR AND TRANSFER COMPANY, 15 Exchange Place, Jersey City 2, N.J.

Head Office:
2400 Bank of Nova Scotia Building, Toronto, Ontario



		1966	1965
☐ HOUSE SALES	—	$1,882,000	$4,728,000
☐ LAND SALES	—	595,000	1,910,000
☐ GROSS RENTAL REVENUE	—	1,350,000	999,000
☐ DEPRECIATION	—	242,000	207,000
☐ REPAYMENT OF PRINCIPAL ON LONG TERM DEBT	—	760,000	427,000
☐ NET PROFIT	—	294,000	625,626

Highlights

- ☐ Sulphur exploration program in Nova Scotia.
- ☐ Housing Construction in Peel Village.
- ☐ Marked improvement in gross rental revenue.
- ☐ Acquisition of 42% share interest in Normco Limited (Graydon Hall apartment project).
- ☐ Closing of Gold Mining Operation at Noranda, Quebec.

DIRECTORS' REPORT TO SHAREHOLDERS

Your Directors submit herewith the Annual Report of your Company together with the Consolidated Financial Statements of the Company and its wholly-owned subsidiaries as at December 31, 1966, as reported on by the Auditors of the Company. The Financial Statements also include the Consolidated Statement of Earned Surplus and the Consolidated Statement of Income in each instance for the year ended December 31, 1966, with 1965 comparative figures.

For the benefit of our many new stockholders, we would like to give you a brief summary of the history of your Company. A gold discovery in North Western Quebec in 1944, located 9 miles from the city of Rouyn-Noranda, led to a producing gold mining operation, commencing shipments of ore to the Noranda smelter in 1947. Production was maintained until June of 1966, at which time it became certain that a profitable operation was no longer possible. On termination of the mining operations, buildings and equipment were sold and the mine development loan which at December 31, 1965, stood at $230,964.64, was paid off. With the closing of the mine, certain major write-offs were made in 1966, and these are shown in Note No. 8 to the Consolidated Balance Sheet. Although we retain the original patented property, which would only be of value if the price of gold were substantially increased, we have written down the Mining Properties and Rights form $329,913.00 to $1.00. Residual Deferred Mining Development Costs amounting to $199,675.00 have also been written off. These and other write-offs are reflected in the Consolidated Statement of Earned Surplus.

In April, 1966, your Company entered a joint venture with New Senator Rouyn Limited on a sulphur discovery that had been made by the Department of Mines of the Province of Nova Scotia.

The results of preliminary diamond drilling indicated a wide spread occurrence of sulphur in anhydride to depths of a thousand feet over an area that was approximately ¾ of a mile from east to west and

½ a mile north to south around the original discovery. A substantial amount of geophysical studies was completed in 1966.

In referring to this project, the Consultant Engineer for the project, in a brief resumé, states as follows:

"In August of last year the gravity survey was received covering part of the concession. A study of this indicated that the drilling of a few holes should give some geological knowledge of the reasons for the sulphur occurrence. Four more holes were drilled before the winter set in.

No further important information could be obtained without the drilling of some rather deep holes in various locations and without some extension of the geophysical survey. A complete report on the project was compiled by the engineers in charge of the work and is being studied to guide this season's operations.

The holdings of the group have been somewhat contracted but a very large acreage is still held in good standing. The 1967 program has not as yet been definitely laid out, but thought is being given to the deep drilling both on the sulphur site and on the large regional anomaly to the south of previous drilling."

In our search for diversification, we decided to enter the field of land development in 1959. Late in that year we acquired a large tract of land to the north-west of Metro-Toronto, in close proximity to Toronto International Airport, which lands are in the heart of one of the fastest developing areas on the continent. Our development, now famous throughout the country, is known as Peel Village. Here we are developing a modest city, which on our own lands should provide living accommodation for about 25,000 people. In addition to the residential, apartment and recreational facilities, we have a large industrial park and substantial commercial lands for continuing development.

The attractiveness of Peel Village has made it a desirable place in which to live. This has been accomplished by modern town planning, controlled architectural design with careful attention to detail in home construction, appearance and comfort. The large variety of pre-planned model homes has resulted in a conspicuous lack of repetition in house design. Telephone and electric services have been placed underground, eliminating all overhead wires and T.V. aerials.

The best evidence of the public acceptance of Peel Village is, that since its inception, approximately 30 million dollars worth of homes have been constructed and sold. House sales during 1966 dropped to $1,883,000.00. This reduction was not due to either tight money or the lack of sales or demand for our houses. This reduction in sales was, on the other hand, due to a complete failure of the Municipality of the Corporation of the Town of Brampton, of which we are a part, to provide the necessary municipal services, mainly water and sewers. Your Company has co-operated to the utmost with the Municipality in trying to help it solve these problems.

held up by

This inertia on the part of the Mayor and the civic employees, their apparent inability to cope with the problems, and their lack of responsibility in the normal conduct of their business, has resulted in a great reduction in house sales and profit for the shareholders of Peel-Elder Limited.

The Community urgently requires housing accommodation of all types. The Municipality's failure to plan ahead in order to provide the most basic ingredients for growth and progress, namely sewage disposal and water, has caused a complete slow-down of growth within the entire area. We believe we are legally entitled to the building permits that are being withheld from us, and your Company is prepared to take such legal action as may be available to us to correct the damage that we have suffered and are suffering.

Having completed the construction, leasing and operation of a substantial number of Town House apartment units, it is our plan to retain ownership of these units for long-term income. These apartment units are attractively located and constructed and are 100% occupied. Our master plan for Peel Village makes it feasible for us,

having very low land cost, to build and retain income-producing properties. The emphasis in the building out of Peel Village by your Directors will be placed on the development of equities on a favourable tax structure.

We would draw to your specific attention the fact that on the asset side of your Balance Sheet, the item "Land Held for Future Development at Cost $2,155,323.00", refers largely to land acreage prices applicable in 1959, plus some servicing costs that apply to unsold land. (See also Notes 5 and 6 to the Consolidated Balance Sheet). It is worth noting that all carrying charges on land held for future development have been written off (or expensed) in the year in which they were incurred and no portion of these charges has been capitalized. This includes such expenses as mortgage interest, realty taxes and general maintenance.

Shoppers' World Danforth, an ultra-modern regional Shopping Centre, opened in the busy east end of Toronto in May, 1962, at a cost of $6.5 million, has been an outstanding and expanding success since opening day. Approximately half a million people live within easy access of this enclosed air-conditioned mall-type centre. It has as its major tenant, the T. Eaton Company Limited, along with more than fifty other tenants. This is wholly owned by your Company.

Our new local shopping plaza was completed in Peel Village in 1965.

A regional Shoppers' World to be located west of #10 Highway is planned for Peel Village, and this will be commenced when management feels the time is opportune.

In the latter part of 1965, we acquired ownership of the apartment known as "The Courtleigh". This 20-storey building is strategically located at the junction of the Macdonald-Cartier Freeway and the Don Valley Parkway, with easy access to downtown Toronto. Rental income from October 17, 1966 (the date of final closing of the transaction) to December 31, 1966, has been included in the 1966 Financial Statements.

In our Interim Report of August 26, 1966, we reported that your Company had acquired a substantial interest in an Ontario Corporation known as Normco Limited. Our position was re-negotiated in August, 1966, an option was exercised and we obtained 42% of the issued shares. This Company owns one of the most desirable pieces of property in Metropolitan Toronto. This prestige apartment land, zoned for 1,384 suites, is bounded on the north by the Macdonald-Cartier Freeway and on the east by the Don Valley Parkway (an Expressway requiring about 10 minutes of driving to downtown Toronto. The westerly part of the property is bisected by Don Mills Road. The focal point of this property is Graydon Hall, an elegant manor, pictures of which are shown in this Report, built in the late thirties, with formal gardens and costly elaborate landscaping, at a reputed cost far in excess of a million dollars. This manor and grounds will provide the nucleus of club and recreational facilities for the apartment complex which is now about ready for commencing construction. The first four towers, each containing 299 suites, will be 20 storeys high. Architectural, structural and mechanical drawings and specifications have been completed for these four buildings. Present plans on the fifth building, which have not been finalized, call for a 30-storey tower containing 188 suites.

The beautiful manor house, strategically located in the centre of these lands, will be eventually surrounded by five large ultra-modern tower apartment buildings, which with our Courtleigh apartment building on the contiguous property will provide living accommodation for over sixteen hundred families. This location is one of the highest points of land in Metro Toronto and it contains acres of landscaped parklands, surrounding and forming part of the project. Upon completion it will become one of the most desirable apartment and club house complexes on the continent.

KENNETH A. ROBERTS,
President and General Manager,

Toronto, Ontario,
May 12, 1967.

PEEL-ELDER LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1966

CONSOLIDATED BALANCE SHEET

As at 31st December, 1966

(With comparative figures for 1965)

ASSETS

		1966	1965
CURRENT			
Cash on Hand and in Banks		$ 338,117	$ 246,486
Trust Bank Accounts (Note 2)		63,063	60,286
Accounts Receivable (Note 3)		815,327	1,342,546
Mortgages Receivable		803,900	1,335,390
Marketable Securities – at cost (Market Value 1966 – $38,462; 1965 – $50,121)		42,639	42,639
Inventories (Notes 4 and 6)		838,440	1,364,925
Prepaid Expenses and Deposits		185,398	154,512
		$ 3,086,884	$ 4,546,784
LAND HELD FOR FUTURE DEVELOPMENT (Notes 5 and 6)		2,155,323	2,208,897
INVESTMENTS – at cost			
Other Enterprises (Note 7)	$ 451,105		
Mortgages Receivable	190,067		
Cash Surrender Value of Life Insurance	6,609	647,781	592,521
REVENUE PROPERTIES			
Land, Premises and Equipment – at cost	$12,140,158		
Accumulated Depreciation	689,059	11,451,099	11,628,185
FIXED			
Land, Premises and Equipment – at cost	$ 246,125		
Accumulated Depreciation	74,772	171,353	179,755
OTHER (Note 8)		97,302	941,444
		$17,609,742	$20,097,586

earnings per share

E 1967	1966	1965	1964	1963
$1.00 plus	59¢	1.33	deficit of $1.43	11¢

LIABILITIES

	1966	1965
CURRENT		
Bank Loans (Secured)	$ 1,200,000	$ 1,682,000
Accounts Payable and Accrued Charges	320,638	643,173
Corporation Income Taxes (Note 9)	161,370	84,804
Provision for Land Servicing and House Construction	341,845	1,375,715
Tenants' Rental Deposits	54,642	27,552
Mortgages and Notes Payable – due within one year	511,825	526,409
Mortgage Advances on Houses in Inventory	113,238	79,879
	$ 2,703,558	$ 4,419,532
CORPORATION INCOME TAXES – Deferred (Note 9)	201,000	372,000
MORTGAGES AND NOTES PAYABLE (Note 10)	10,505,137	10,899,645
	$13,409,695	$15,691,177
SHAREHOLDERS' EQUITY		
CAPITAL		
Authorized: 1,000,000 Shares of No Par Value.		
Issued and Fully Paid: (Note 11) 495,971 Shares (1965 – 470,971 Shares)	3,547,538	3,297,538
EARNED SURPLUS	652,509	1,108,871
	$ 4,200,047	$ 4,406,409
CONTINGENT LIABILITIES – (Note 13)		
	$17,609,742	$20,097,586

Approved on behalf of the Board of Directors:

K. A. Roberts ..... Director

P. C. Finlay ..... Director

This is the Consolidated Balance Sheet referred to in our report of this date.

James H. Dunwoody & Co

TORONTO, Ontario,
4th May 1967.

CHARTERED ACCOUNTANTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31st, 1966

1. CONSOLIDATED SUBSIDIARY COMPANIES

The wholly-owned Subsidiary Companies included herein are:

Peel Village Developments Co. Limited,
Peel Village Homes Limited,
Shoppers' World (Brampton) Limited,
Lakeshore Towers of Peel Limited,
Elder Builders' Supplies Limited.

2. TRUST BANK ACCOUNTS

The funds in Trust Bank Accounts are lodged as security for the completion of land servicing.

3. ACCOUNTS RECEIVABLE

Included in Accounts Receivable is $496,989 being the amount realized on disposal in January 1967 of a portion of a subsidiary's portfolio of first mortgages. The discount of $30,066 from face value allowed on realization has been charged to operations for the year.

4. INVENTORIES

Serviced Lans is valued at cost, which includes a pro rata portion of the excess purchase price of the shares of a subsidiary (see Note 6) plus direct development costs. Finished houses and houses under construction are valued at estimated completed cost including serviced land.

	1966	1965
Serviced Land	$ 377,499	$ 357,485
Finished Houses	460,941	248,677
Houses Under Construction	–	659,873
Ore in Transit, at estimated selling price	–	98,890
	$ 838,440	$ 1,364,925

5. LAND HELD FOR FUTURE DEVELOPMENT

Valuation is at cost, which includes a pro rata portion of the excess purchase price of the shares of a subsidiary (See Note 6) plus direct development costs incurred to date.

6. EXCESS OF COST OF SHARES OF SUBSIDIARY OVER BOOK VALUE AT DATE OF ACQUISITION

The excess of the purchase price of the shares of the subsidiary Company, Peel Village Developments Co. Limited, over the book value at date of acquisition in 1959 was $1,849,725. This amount is being amortized on consolidation against sales of land by the subsidiary.

As at 31st December 1966 this excess is accounted for as follows:

Included in cost of land sold:		
1965 and prior	$ 1,041,027	
1966	64,077	$ 1,105,104
Included in cost of unsold land:		
Inventories – Land	$ 91,097	
Land held for future development	653,524	744,621
		$ 1,849,725

7. INVESTMENT IN OTHER ENTERPRISES

During the year a subsidiary acquired 500 common shares out of a total of 1,170 issued common shares of Normco Limited, an Ontario corporation owning land in Metropolitan Toronto zoned for apartment development. Advances have been made to Normco Limited to finance carrying costs and preliminary development of the land.

The Company has a fifty percent interest with New Senator Rouyn Limited in a sulphur prospect in Nova Scotia and has contributed jointly to development expenses to date.

Investments and advances as at 31st December 1966 in these enterprises are:

Normco Limited		
Investment in Shares – at cost	$ 250,000	
Advances	126,757	$ 376,757
Joint Mining Venture		
Interest in Mining Claims – at cost	$ 45,000	
Development Expenses	29,348	74,348
		$ 451,105

8. OTHER ASSETS

In 1966 the Company discontinued mining operations, and mining properties and rights have been written down to nominal value of $1 and unamortized deferred mining development costs were written off in their entirety. Investments in other unlisted mining companies have been written down to a nominal value of $1. Goodwill, representing the excess purchase price over book value of a subsidiary at date of acquisition, and incorporation expenses were written off in their entirety.

Details of other assets are as follows:

	Balance 31st December 1965	Amortized During Year	Written Off To Earned Surplus	Balance 31st December 1966
Deferred Leasing Expense	$104,800	$ 7,500	$ –	$ 97,300
Mining Properties and Rights	329,914	–	329,913	1
Deferred Mining Development Costs	226,008	26,333	199,675	–
Investment in Other Mining Companies	213,042	–	213,041	1
Goodwill	55,599	–	55,599	–
Incorporation Expense	12,081	–	12,081	–
	$941,444	$ 33,833	$810,309	$ 97,302

9. CORPORATION INCOME TAXES

No provision has been made for future corporation income taxes of subsidiaries which may be payable as a result of claiming, for tax purposes, capital cost allowances in excess of depreciation reflected in the Company's accounts. The reduction of corporation income taxes which may be payable amounts to $137,000 in the current year and $402,000 to date.

10. MORTGAGES AND NOTES PAYABLE

Mortgages and Notes mature at varying dates up to 1996 and bear various interest rates. At 31st December they are comprised as follows:

	1966	1965
Mortgages – On Land	$ 862,970	$ 1,085,100
– On Revenue Properties	9,978,992	10,109,989
Notes Payable	175,000	–
Mine Development Loan	–	230,965
	$11,016,962	$11,426,054
Current Portion	511,825	526,409
	$10,505,137	$10,899,645

10. (Cont'd).

Principal amounts due on the Mortgages and Notes in the next five years are as follows:

1967	$ 511,825
1968	713,975
1969	528,325
1970	551,675
1971	1,250,425

11. ISSUED SHARE CAPITAL

During the year Kenneth Alexander Roberts exercised his option granted under an agreement dated 1st May 1959, as amended by an agreement dated 6th May 1964, and purchased from the Company 25,000 fully paid and non-assessable shares of the capital stock at a price of $10 per share.

12. STATUTORY DISCLOSURE

The following amounts have been included in operating expenses:

	1966	1965
Interest on long-term indebtedness	$ 588,949	$ 488,916
Provision for Depreciation of Revenue Properties and Fixed Assets	$ 241,773	$ 206,752
Remuneration of Directors:		
Salaries	$ 44,625	$ 53,000
Payment to Fund Executive Pension Plan	90,000	–
Current Payment to Executive Pension Fund	1,500	1,500
	$ 136,125	$ 54,500

13. CONTINGENT LIABILITIES

The Company is guarantor under a performance bond of $362,454 given as security for the completion of a subdivision agreement entered into by Normco Limited. A subsidiary company has guaranteed bank advances to Normco Limited to a limit of $600,000.

CONSOLIDATED STATEMENT OF EARNED SURPLUS

For year ended 31st December 1966

(With comparative figures for 1965)

	1966	1965
BALANCE 1st January	$ 1,108,871	$ 486,676
Net Profit for Year	294,261	625,849
Gain on Disposal of Mine Equipment and Buildings	59,686	–
	$ 1,462,818	$ 1,112,525
Other Assets written off (Note 8)	810,309	3,654
BALANCE 31st December	$ 652,509	$ 1,108,871

CONSOLIDATED STATEMENT OF OPERATIONS

For year ended 31st December 1966

(With comparative figures for 1965)

	1966		1965	
MINING (Note 8)				
Revenue	$ 220,143		$ 512,576	
Direct Costs	285,006	($ 64,863)	502,227	$ 10,349
LAND DEVELOPMENT				
Sales	$ 594,961	1	$1,909,888	
Direct Costs	401,687	193,274	1,163,316	746,572
HOUSES				
Sales	$1,882,835		$4,321,262	
Direct Costs	1,624,102	258,733	4,019,893	301,369
RENTALS				
Revenue	$1,350,705		$ 998,761	
Direct Costs	1,086,451	264,254	814,700	184,061
		$ 651,398		$1,242,351
GENERAL AND ADMINISTRATIVE EXPENSE		358,445		432,906
		$ 292,953		$ 809,445
OTHER INCOME				
Interest, Dividends and Sundry		126,974		53,404
		$ 419,927		$ 862,849
NON-RECURRING ITEMS				
Payment to Fund Executive Pension Plan	$ 90,000			
Discount on First Mortgages	30,066	120,066		
PROFIT, before Provision for Corporation Income Taxes		$ 299,861		$ 862,849
PROVISION FOR CORPORATION INCOME TAXES (Note 9)		5,600		237,000
NET PROFIT FOR YEAR		$ 294,261		$ 625,849

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For year ended 31st December 1966

SOURCE OF FUNDS		
Operations:		
Net Profit for Year	$ 294,261	
Non-cash charges:		
Depreciation and Amortization	275,606	$ 569,867
Issue of 25,000 Shares of Peel-Elder Limited		250,000
Realization of Long-Term Mortgages Receivable		402,454
Adjustment of Land held for Future Development		53,574
Gain on Disposal of Mine Equipment and Buildings		59,686
		$ 1,335,581
APPLICATION OF FUNDS		
Investment in Other Enterprises	$ 451,105	
Acquisition of Fixed Assets and Revenue Properties	56,285	
Increase in Cash Surrender Value of Life Insurance	6,609	
Reduction in Long-Term Mortgages Payable (NET)	394,508	
Adjustment of Corporation Income Taxes — Deferred	171,000	1,079,507
INCREASE IN WORKING CAPITAL		$ 256,074

4th May 1967.

To the Shareholders of
PEEL-ELDER LIMITED.

We have examined the Consolidated Balance Sheet of PEEL-ELDER LIMITED and subsidiary Companies as at 31st December 1966 and the Consolidated Statements of Earned Surplus and Operations for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying Consolidated Balance Sheet and Consolidated Statements of Earned Surplus and Operations present fairly the financial position of the Company and its subsidiaries as at 31st December 1966 and the results of their consolidated operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying Consolidated Statement of Source and Application of Funds which, in our opinion, when considered in relation to the aforementioned consolidated financial statements, presents fairly the sources and applications of funds of the Company and its subsidiaries for the year ended 31st December 1966.

Jones H. Kennedy & Co

CHARTERED ACCOUNTANTS.

Peel Village

☐ **PEEL VILLAGE "TOWN HOUSES"**

A total of 220 suites have been completed—a number of them late 1965. Demand has been excellent. Financing has been by long-term (30-year) mortgages.

☐ **PEEL VILLAGE GOLF COURSE**

This golf course is held on a long term lease by your Company. Located contiguous to the Peel Village lands, it is an object of beauty as well as providing recreation facilities.

☐ **PEEL VILLAGE SHOPPING CENTRE**

This community shopping centre provides an ultra modern super market, bank, drug store, service stores, medical and dental offices, mainly for the convenience of Peel Village residents. Our first high-rise apartment building is planned to be built just across the street from this plaza.

SHOPPERS WORLD

Thousands of families in the east end of Toronto are enjoying a new kind of all-year, all-weather shopping pleasure. The reason is Peel-Elder's Shoppers World, a vast concentration of merchandise from all over the world—under one roof.

The modern, striking design of this mall-type centre, completely air conditioned in summer and heated in winter, provides unrivalled shopping ease and comfort. The spacious lighted parking area and the ease of accessibility, including convenient public transportation, makes "one stop shopping" a happy reality.

OMINION

Arnold's HARDWARE

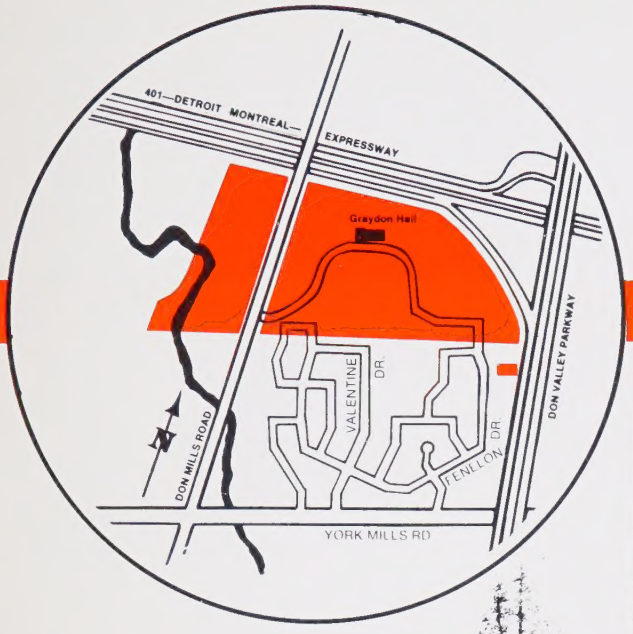
YOLLES

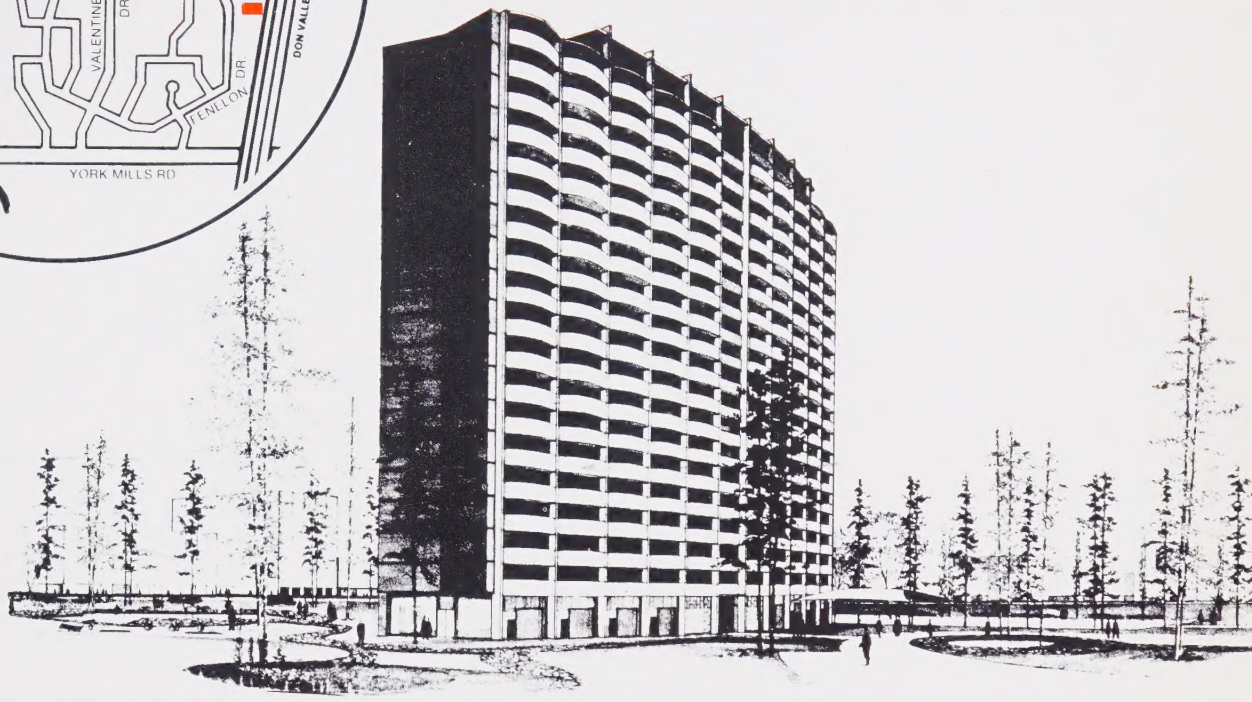
Firestone

OMINION
AISLE H
PLEASE PARK
THIS SIDE
OF SIGN

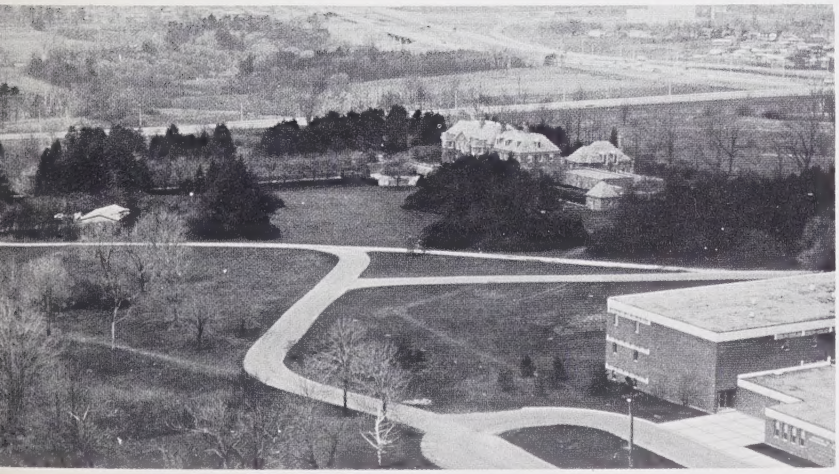
Dunforth fabrics

401—DETROIT—LONDON—TORONTO—MONTREAL
EXPRESSWAY
DON MILLS ROAD
DON VALLEY PARKWAY
CITY HALL
N
LAKE ONTARIO





The Courtleigh, owned and operated by your Company, is contiguous to the new high-rise apartment and commercial complex.



GRAYDON HALL PROPERTY LOCATION

Graydon Hall